

**South Weber Water Improvement District**  
**South Weber, Utah**

Financial Statements  
with Accountants' Review Report  
For the Year Ended December 31, 2006

Ulrich & Associates, PC  
Certified Public Accountants  
Ogden, Utah

# South Weber Water Improvement District

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**Ulrich & Associates, PC**  
Certified Public Accountants

**ACCOUNTANTS' REVIEW REPORT**

The Board of Directors  
South Weber Water Improvement District  
South Weber, Utah

We have reviewed the accompanying statement of net assets of South Weber Water Improvement District as of December 31, 2006, and the related statement of revenues, expenses, and changes in fund net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of South Weber Water Improvement District.

A review consists principally of inquiries of District's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have compiled the supplementary information, from information that is the representation of management, without audit. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Ulrich & Associates, P.C.*

May 9, 2007

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# **South Weber Water Improvement District**

## **Management's Discussion and Analysis**

**December 31, 2006**

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As management of the South Weber Water Improvement District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the South Weber Water Improvement District for the fiscal year ended December 31, 2006.

### **Financial Highlights**

The total net assets of \$1,650,577 is made up of \$1,364,305 in capital assets, and other net assets of \$286,272.

Operating expenditures exceeded revenues by \$65,296. This includes a non-cash charge for depreciation of \$47,835.

### **Reporting the District as a Whole**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The South Weber Water Improvement District's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the South Weber Water Improvement District's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of the South Weber Water Improvement District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the South Weber Water Improvement District is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of revenue, expenses, and changes in fund net assets presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# **South Weber Water Improvement District**

## **Management's Discussion and Analysis**

**December 31, 2006**

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Both of the government-wide financial statements distinguish functions of the South Weber Water Improvement District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District operates with only business-type activities.

### **Reporting the District's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The South Weber Water Improvement District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's only fund is proprietary.

Proprietary funds - South Weber Water Improvement District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The South Weber Water Improvement District uses enterprise funds to account for its Irrigation Water Fund.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

### **Government-wide Financial Analysis**

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of the South Weber Water Improvement District, assets exceeded liabilities by \$1,650,577 a decrease of \$54,119 over the prior year. This decrease was largely due to depreciation. By far, the largest portion of the South Weber Water Improvement District's net assets is its investment in capital assets (e.g., land, reservoir, water lines, machinery and equipment, etc). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. For years prior to 2003, the District has received property tax revenue for the purpose of paying of General Obligation Bond debt. That debt was retired in 2004; hence, the need for the property tax revenue has come to an end.

**South Weber Water Improvement District**  
**Management's Discussion and Analysis**  
**December 31, 2006**

**Statement of Net Assets**

	<b>Business-Type Activities</b>	
	<b>2006</b>	<b>2005</b>
Current and other assets	\$ 287,949	311,351
Capital assets	1,364,305	1,389,612
Total assets	1,652,254	1,700,963
Long-term debt outstanding	-	-
Other liabilities	1,677	1,137
Total liabilities	1,677	1,137
Net Assets		
Invested in capital assets, net of debt	1,364,305	1,389,612
Unrestricted	286,272	310,214
Total net assets	\$ 1,650,577	1,699,826

**Changes in Net Assets**

	<b>Business-Type Activities</b>	
	<b>2006</b>	<b>2005</b>
Revenues		
Program revenues		
Charges for services	\$ 203,457	190,479
General revenues		
Property taxes	-	4,785
Interest income	9,197	4,409
Total revenues	212,654	199,673
Expenses		
Irrigation water	266,853	216,896
Total expenses	266,853	216,896
Increase (decrease) in net assets	(54,199)	(17,223)
Net assets, beginning of year	1,704,776	1,721,999
Net assets, end of year	\$ 1,650,577	1,704,776

**South Weber Water Improvement District**  
**Management's Discussion and Analysis**  
**December 31, 2006**

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Capital Asset Administration

Capital assets - The South Weber Water Improvement District's investment in capital assets for its business-type activities as of December 31, 2006, amounts to \$22,528 of equipment. The total decrease in the District's investment in fixed assets for the current year was 1.82% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

\$22,528 for an automobile

<u>South Weber Water Improvement District's Capital Assets</u>	
	Business-Type Activities 2006
Land	\$ 31,000
Buildings	21,400
Improvements	43,031
Distribution mains and reservoir	2,172,737
Machinery and equipment	88,900
Less: Accumulated depreciation	(992,763)
Total	<u>\$ 1,364,305</u>

Additional information on the District's capital assets can be found in the notes of this report.

## **BASIC FINANCIAL STATEMENTS**



**South Weber Water Improvement District**  
**Statement of Net Assets**  
**December 31, 2006**

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	<b>Business-type Activities</b>
<hr/>	
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 168,504
Accounts receivable - net	8,654
Investment in water rights	104,731
Deposits	1,600
Prepaid expenses	4,460
Capital assets (net of accumulated depreciation)	
Land	31,000
Buildings	12,839
Reservoir, water lines and improvements	1,280,099
Improvements	6,631
Machinery and equipment	33,736
	<hr/>
Total assets	1,652,254
	<hr/>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	1,677
	<hr/>
Total liabilities	1,677
	<hr/>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	1,364,305
Unrestricted	286,272
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Total net assets	\$ 1,650,577
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See accompanying notes and accountants' report.

**South Weber Water Improvement District**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

**Operating Revenues**

Water assessment fees	\$ 183,267
Tax assessments	4,238
Connection fees	7,500
Collection fees	5,300
Miscellaneous	1,252
	<hr/>
Total operating revenues	201,557

**Operating Expenses**

Administrative expenses	3,256
Bank charges	19
Contractors	8,605
District salaries and taxes	40,054
Insurance	7,508
Depreciation and amortization	47,835
Miscellaneous	5,340
Office supplies	2,674
Plumbing supplies	40,570
Professional services	3,758
Utilities	3,120
Water assessment	104,114
	<hr/>
Total operating expenses	266,853
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Operating income	(65,296)

**Nonoperating Revenues (Expenses)**

Sale of capital asset	1,900
Interest revenue	9,197
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Total nonoperating revenues (expenses)	11,097
	<hr/>
Change in net assets	(54,199)
	<hr/>
Total net assets - beginning	1,704,776
	<hr/>
Total net assets - ending	\$ 1,650,577

See accompanying notes and accountants' report.

# South Weber Water Improvement District

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2006

	Water Fund
<b><u>Cash Flows From Operating Activities</u></b>	
Receipts from customers	\$ 193,634
Payments to suppliers	(180,863)
Payments to employees	(40,054)
Net cash provided (used) by operating activities	(27,283)
<b><u>Cash Flows From Investing Activities</u></b>	
Purchase of equipment	(22,528)
Proceeds from sale of capital asset	1,900
Interest and dividends received	9,197
Net cash provided (used) by investing activities	(11,431)
Net increase (decrease) in cash and cash equivalents	(38,714)
Cash and cash equivalents - beginning	207,218
Cash and cash equivalents (deficit) - end	\$ 168,504
<b><u>Reconciliation of Operating Income to Net Cash Provided</u></b>	
<b><u>(Used) By Operating Activities:</u></b>	
Operating income	\$ (65,296)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	47,835
(Increase)/decrease in accounts receivable	(7,923)
(Increase)/decrease in prepaid expense	92
(Increase)/decrease in deposits	-
Increase (decrease) in accounts payable and accrued liabilities	(1,991)
Total adjustments	38,013
Net cash provided (used) by operating activities	\$ (27,283)

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See accompanying notes and accountants' report.

## **NOTES TO FINANCIAL STATEMENTS**

# South Weber Water Improvement District

## Notes to Financial Statements

December 31, 2006

### Note 1 - Summary of Significant Accounting Policies

#### Reporting Entity

The District is a governmental entity governed by a five member board. As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the District's financial statements, nor is the District a component unit of another government entity.

#### Organization

The District was created in 1969 pursuant to applicable Utah Law and is currently operating to develop and distribute pressurized irrigation water to an area of 815 acres. The District encompasses approximately the southeastern half of the City of South Weber, an incorporated city with a population of approximately 2,000 people.

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**South Weber Water Improvement District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

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**Note 1 - Summary of Significant Accounting Policies - continued**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, the Districts' only fund is proprietary.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District reports the following major proprietary fund:

The *irrigation water fund* accounts for the operations of the District's irrigation water.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**South Weber Water Improvement District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

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**Note 1 - Summary of Significant Accounting Policies - continued**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The investment in water rights represents the cost to the District of 360 shares of Davis and Weber Counties Canal Company Stock. As mentioned in Note 4, 358 shares were transferred to Weber Basin Water Conservancy District on December 17, 1984 for the purpose of acquiring the water rights to 2,506 acre feet of untreated water for irrigation usage.

Property taxes are collected by the County Treasurer and remitted to the District shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

# South Weber Water Improvement District

## Notes to Financial Statements-Continued

December 31, 2006

### Note 1 - Summary of Significant Accounting Policies - continued

#### 2. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
Reservoir and water lines	60
Vehicles	5
Equipment	7

### Note 2 - Stewardship, Compliance, and Accountability

#### Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the District Board on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. Tentative budgets must be adopted on or before December 15th for the following year, beginning January 1. Budgets may be increased by resolution of the District Board at any time during the year. A public hearing must be held regarding any proposed increase in a funds' appropriations. The budget is adopted by fund, function and department. The legal level of budgetary control is the function level. Appropriations lapse at December 31.



# South Weber Water Improvement District

## Notes to Financial Statements-Continued

December 31, 2006

### Note 2 - Stewardship, Compliance, and Accountability - Continued

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years.

### Note 3 - Detailed Notes on all Funds

#### Deposits and investments

The District maintains multiple cash accounts. Additionally, the District utilizes certificates of deposits. The District has no investments at this time.

The District's deposit and investment policy is to follow the Utah Money Management Act.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of December 31, 2006, the District had the following deposits and investments:

	<u>Fair value</u>
Cash on deposit	\$ 168,079

*Interest rate risk* The District manages its exposure to declines in fair value by only investing in certificates of deposit.

*Custodial credit risk* This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$623 of the \$168,504 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

# South Weber Water Improvement District

## Notes to Financial Statements-Continued

December 31, 2006

### Note 3 - Detailed Notes on all Funds - Continued

Captions on the statement of net assets related to cash and investments are as follows:

Cash and savings	\$ 87,526
Certificates of deposit	80,978
Total cash and cash equivalents	<u>\$ 168,504</u>

### Note 3 - Detailed Notes on all Funds - Continued

#### Capital assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	-	-	31,000
Capital assets being depreciated:				
Buildings and improvements	64,431	-	-	64,431
Distribution mains and reservoir	2,172,737	-	-	2,172,737
Machinery and equipment	66,372	22,528	-	88,900
Total capital assets being depreciated	<u>2,303,540</u>	<u>22,528</u>	<u>-</u>	<u>2,326,068</u>
Less accumulated depreciation for:				
Buildings and improvements	41,428	3,533	-	44,961
Distribution mains and reservoir	853,685	38,953	-	892,638
Machinery and equipment	49,815	5,349	-	55,164
Total accumulated depreciation	<u>944,928</u>	<u>47,835</u>	<u>-</u>	<u>992,763</u>
Total capital assets, being depreciated, net	<u>1,358,612</u>	<u>(25,307)</u>	<u>-</u>	<u>1,333,305</u>
Business-type activities capital assets, net	<u>\$ 1,389,612</u>	<u>(25,307)</u>	<u>-</u>	<u>1,364,305</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:  
Irrigation water fund

\$ 47,835

# South Weber Water Improvement District

## Notes to Financial Statements-Continued

December 31, 2006

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### Note 4 - Other information

#### Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

#### Contractual agreements

On December 27, 1984 the District contracted with Weber Basin Water Conservancy District for an allotment of 2,506 acre-feet per year of untreated water for irrigation usage. For such water rights, the District agreed to transfer to Weber Basin Water Conservancy District 358 Shares of Davis and Weber Counties Canal Company Stock and pay additional annual assessments thereafter. Current annual assessments are estimated to be \$104,000.

## **SUPPLEMENTARY INFORMATION**

**South Weber Water Improvement District**  
**Schedule of Revenues and Expenses**  
**Actual Compared To Budget Basis**  
**For the Year Ended December 31, 2006**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Operating Revenues</u></b>					
Water assessment fees	\$ 183,267	-	183,267	221,000	(37,733)
Tax assessments	4,238	-	4,238	-	4,238
Connection fees	7,500	-	7,500	-	7,500
Collection fees	5,300	-	5,300	-	5,300
Miscellaneous	1,252	-	1,252	6,000	(4,748)
Total operating revenues	<u>201,557</u>	<u>-</u>	<u>201,557</u>	<u>227,000</u>	<u>(25,443)</u>
<b><u>Operating Expenses</u></b>					
Administrative expenses	3,256	-	3,256	3,000	(256)
Bank charges	19	-	19	19	-
Contractors	8,605	-	8,605	9,650	1,045
District salaries	40,054	-	40,054	39,500	(554)
Insurance	7,508	-	7,508	6,500	(1,008)
Depreciation	47,835	(47,835)	-	-	-
Miscellaneous	5,340	-	5,340	5,500	160
Office supplies	2,674	-	2,674	2,622	(52)
Plumbing supplies	40,570	-	40,570	41,533	963
Professional services	3,758	-	3,758	4,550	792
Utilities	3,120	-	3,120	3,500	380
Capital improvements	-	22,528	22,528	23,000	472
Water assessment	104,114	-	104,114	104,114	-
Total operating expenses	<u>266,853</u>	<u>(25,307)</u>	<u>241,546</u>	<u>243,488</u>	<u>1,942</u>
Operating income	<u>(65,296)</u>	<u>25,307</u>	<u>(39,989)</u>	<u>(16,488)</u>	<u>(23,501)</u>
<b><u>Nonoperating Revenues</u></b>					
Sale of capital asset	1,900	-	1,900	-	1,900
Interest revenue	9,197	-	9,197	9,000	197
Total nonoperating revenues	<u>11,097</u>	<u>-</u>	<u>11,097</u>	<u>9,000</u>	<u>2,097</u>
Net income	<u>\$ (54,199)</u>	<u>25,307</u>	<u>(28,892)</u>	<u>(7,488)</u>	<u>(21,404)</u>